

VALMONT INDUSTRIES INC
Form 10-Q
July 30, 2014

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-31429

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

47-0351813
(I.R.S. Employer
Identification No.)

**One Valmont Plaza,
Omaha, Nebraska**
(Address of Principal Executive Offices)

68154-5215
(Zip Code)

(402) 963-1000
(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

26,193,724

Outstanding shares of common stock as of July 22, 2014

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in thousands, except per share amounts)

(Unaudited)

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|----------------------|------------------|------------------------|------------------|
| | June 28, 2014 | June 29, 2013 | June 28, 2014 | June 29, 2013 |
| Product sales | \$ 766,844 | \$ 794,341 | \$ 1,447,887 | \$ 1,534,788 |
| Services sales | 75,755 | 84,318 | 146,452 | 163,501 |
| Net sales | 842,599 | 878,659 | 1,594,339 | 1,698,289 |
| Product cost of sales | 573,067 | 563,306 | 1,070,910 | 1,092,467 |
| Services cost of sales | 49,055 | 53,882 | 95,970 | 108,982 |
| Total cost of sales | 622,122 | 617,188 | 1,166,880 | 1,201,449 |
| Gross profit | 220,477 | 261,471 | 427,459 | 496,840 |
| Selling, general and administrative expenses | 115,701 | 117,206 | 223,835 | 234,385 |
| Operating income | 104,776 | 144,265 | 203,624 | 262,455 |
| Other income (expenses): | | | | |
| Interest expense | (8,304) | (8,025) | (16,501) | (16,215) |
| Interest income | 1,577 | 1,852 | 3,316 | 3,205 |
| Other | 1,903 | 123 | (3,909) | 1,679 |
| | (4,824) | (6,050) | (17,094) | (11,331) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 99,952 | 138,215 | 186,530 | 251,124 |
| Income tax expense (benefit): | | | | |
| Current | 26,117 | 48,210 | 59,055 | 86,870 |
| Deferred | 7,953 | (1,042) | 5,030 | (4,729) |
| | 34,070 | 47,168 | 64,085 | 82,141 |

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| | | | | |
|--|--------|--------|---------|---------|
| Earnings before equity in earnings of nonconsolidated subsidiaries | 65,882 | 91,047 | 122,445 | 168,983 |
| Equity in earnings of nonconsolidated subsidiaries | (30) | 269 | (30) | 473 |

| | | | | |
|---|---------|---------|---------|---------|
| Net earnings | 65,852 | 91,316 | 122,415 | 169,456 |
| Less: Earnings attributable to noncontrolling interests | (1,876) | (1,753) | (2,459) | (2,324) |

| | | | | |
|---|-----------|-----------|------------|------------|
| Net earnings attributable to Valmont Industries, Inc. | \$ 63,976 | \$ 89,563 | \$ 119,956 | \$ 167,132 |
|---|-----------|-----------|------------|------------|

| | | | | |
|---------------------|---------|---------|---------|---------|
| Earnings per share: | | | | |
| Basic | \$ 2.40 | \$ 3.36 | \$ 4.50 | \$ 6.28 |

| | | | | |
|---------|---------|---------|---------|---------|
| Diluted | \$ 2.38 | \$ 3.33 | \$ 4.46 | \$ 6.22 |
|---------|---------|---------|---------|---------|

| | | | | |
|-----------------------------------|----------|----------|----------|----------|
| Cash dividends declared per share | \$ 0.375 | \$ 0.250 | \$ 0.625 | \$ 0.475 |
|-----------------------------------|----------|----------|----------|----------|

| | | | | |
|--|--------|--------|--------|--------|
| Weighted average number of shares of common stock outstanding Basic (000 omitted) | 26,623 | 26,648 | 26,669 | 26,615 |
|--|--------|--------|--------|--------|

| | | | | |
|--|--------|--------|--------|--------|
| Weighted average number of shares of common stock outstanding Diluted (000 omitted) | 26,856 | 26,910 | 26,903 | 26,884 |
|--|--------|--------|--------|--------|

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|----------------------|------------------|------------------------|------------------|
| | June 28, 2014 | June 29, 2013 | June 28, 2014 | June 29, 2013 |
| Net earnings | \$ 65,852 | \$ 91,316 | \$ 122,415 | \$ 169,456 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments: | | | | |
| Unrealized translation gain (loss) | 13,869 | (52,962) | 25,506 | (62,582) |
| Realized loss included in net earnings during the period | | | | (5,194) |
| Unrealized loss on cash flow hedge: | | | | |
| Amortization cost included in interest expense | (33) | 100 | 67 | 200 |
| Actuarial gain (loss) in defined benefit pension plan | (614) | 42 | (847) | (894) |
| Other comprehensive income (loss) | 13,222 | (52,820) | 24,726 | (68,470) |
| Comprehensive income | 79,074 | 38,496 | 147,141 | 100,986 |
| Comprehensive loss (income) attributable to noncontrolling interests | (1,792) | 1,549 | (1,704) | 3,189 |
| Comprehensive income attributable to Valmont Industries, Inc. | \$ 77,282 | \$ 40,045 | \$ 145,437 | \$ 104,175 |

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except shares and per share amounts)

(Unaudited)

| | June 28, 2014 | December 28, 2013 |
|--|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 455,927 | \$ 613,706 |
| Receivables, net | 543,608 | 515,440 |
| Inventories | 381,943 | 380,000 |
| Prepaid expenses | 66,916 | 22,997 |
| Refundable and deferred income taxes | 71,334 | 65,697 |
| | | |
| Total current assets | 1,519,728 | 1,597,840 |
| | | |
| Property, plant and equipment, at cost | 1,160,142 | 1,017,126 |
| Less accumulated depreciation and amortization | 521,288 | 482,916 |
| | | |
| Net property, plant and equipment | 638,854 | 534,210 |
| | | |
| Goodwill | 368,405 | 349,632 |
| Other intangible assets, net | 195,359 | 170,917 |
| Other assets | 136,258 | 123,895 |
| | | |
| Total assets | \$ 2,858,604 | \$ 2,776,494 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--|---------|---------|
| Current liabilities: | | |
| Current installments of long-term debt | \$ 188 | \$ 202 |
| Notes payable to banks | 17,485 | 19,024 |
| Accounts payable | 208,834 | 216,121 |
| Accrued employee compensation and benefits | 95,365 | 122,967 |
| Accrued expenses | 91,631 | 71,560 |
| Dividends payable | 9,930 | 6,706 |
| | | |
| Total current liabilities | 423,433 | 436,580 |
| | | |
| Deferred income taxes | 95,674 | 78,924 |

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| | | |
|--|--------------|--------------|
| Long-term debt, excluding current installments | 478,498 | 470,907 |
| Defined benefit pension liability | 143,114 | 154,397 |
| Deferred compensation | 48,292 | 39,109 |
| Other noncurrent liabilities | 54,503 | 51,731 |
| Shareholders' equity: | | |
| Preferred stock of \$1 par value | | |
| Authorized 500,000 shares; none issued | | |
| Common stock of \$1 par value | | |
| Authorized 75,000,000 shares; 27,900,000 issued | 27,900 | 27,900 |
| Retained earnings | 1,672,287 | 1,562,670 |
| Accumulated other comprehensive income (loss) | (22,204) | (47,685) |
| Treasury stock | (95,714) | (20,860) |
| | | |
| Total Valmont Industries, Inc. shareholders' equity | 1,582,269 | 1,522,025 |
| | | |
| Noncontrolling interest in consolidated subsidiaries | 32,821 | 22,821 |
| | | |
| Total shareholders' equity | 1,615,090 | 1,544,846 |
| | | |
| Total liabilities and shareholders' equity | \$ 2,858,604 | \$ 2,776,494 |

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

| | Twenty-six Weeks Ended | |
|--|------------------------|------------------|
| | June 28, 2014 | June 29, 2013 |
| Cash flows from operating activities: | | |
| Net earnings | \$ 122,415 | \$ 169,456 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | |
| Depreciation and amortization | 43,368 | 38,186 |
| Loss on investment | 3,501 | |
| Stock-based compensation | 3,686 | 3,342 |
| Defined benefit pension plan expense | 1,334 | 3,245 |
| Contribution to defined benefit pension plan | (17,484) | (10,346) |
| Gain on sale of property, plant and equipment | (102) | (5,071) |
| Equity in earnings in nonconsolidated subsidiaries | 30 | (473) |
| Deferred income taxes | 5,030 | (4,729) |
| Changes in assets and liabilities (net of acquisitions): | | |
| Receivables | 21,083 | (3,331) |
| Inventories | 6,624 | (2,491) |
| Prepaid expenses | (18,289) | (5,910) |
| Accounts payable | (28,633) | 736 |
| Accrued expenses | (30,415) | 2,916 |
| Other noncurrent liabilities | 1,766 | 1,873 |
| Income taxes refundable | (22,063) | (11,810) |
| | | |
| Net cash flows from operating activities | 91,851 | 175,593 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (46,991) | (54,258) |
| Proceeds from sale of assets | 1,151 | 39,054 |
| Acquisitions, net of cash acquired | (120,483) | (53,152) |
| Other, net | (2,940) | (133) |
| | | |
| Net cash flows from investing activities | (169,263) | (68,489) |
| | | |
| Cash flows from financing activities: | | |
| Net borrowings under short-term agreements | (1,861) | 2,620 |
| Proceeds from long-term borrowings | | 68 |
| Principal payments on long-term borrowings | (259) | (303) |
| Dividends paid | (13,427) | (12,021) |
| Dividends to noncontrolling interest | (1,340) | (1,767) |
| Proceeds from exercises under stock plans | 11,996 | 14,098 |
| Excess tax benefits from stock option exercises | 3,576 | 305 |
| Purchase of treasury shares | (77,084) | |
| Purchase of common treasury shares stock plan exercises | (11,984) | (13,602) |

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| | | |
|--|------------|------------|
| Net cash flows from financing activities | (90,383) | (10,602) |
| Effect of exchange rate changes on cash and cash equivalents | 10,016 | (20,154) |
| Net change in cash and cash equivalents | (157,779) | 76,348 |
| Cash and cash equivalents beginning of year | 613,706 | 414,129 |
| Cash and cash equivalents end of period | \$ 455,927 | \$ 490,477 |

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Noncontrolling interest in consolidated subsidiaries | Total shareholders' equity |
|---|-----------------|----------------------------------|----------------------|--|-------------------|---|----------------------------------|
| Balance at December 29, 2012 | \$ 27,900 | \$ | \$ 1,300,529 | \$ 43,938 | \$ (22,455) | \$ 57,098 | \$ 1,407,010 |
| Net earnings | | | 167,132 | | | 2,324 | 169,456 |
| Other comprehensive income (loss) | | | | (62,957) | | (5,513) | (68,470) |
| Cash dividends declared | | | (12,713) | | | | (12,713) |
| Dividends to noncontrolling interests | | | | | | (1,767) | (1,767) |
| Acquisition of Locker | | | | | | 325 | 325 |
| Stock plan exercises; 85,874 shares acquired | | | | | (13,602) | | (13,602) |
| Stock options exercised; 177,902 shares issued | | (3,647) | 3,378 | | 14,367 | | 14,098 |
| Tax benefit from stock option exercises | | 305 | | | | | 305 |
| Stock option expense | | 2,627 | | | | | 2,627 |
| Stock awards; 2,667 shares issued | | 715 | | | 373 | | 1,088 |
| Balance at June 29, 2013 | \$ 27,900 | \$ | \$ 1,458,326 | \$ (19,019) | \$ (21,317) | \$ 52,467 | \$ 1,498,357 |
| Balance at December 28, 2013 | \$ 27,900 | \$ | \$ 1,562,670 | \$ (47,685) | \$ (20,860) | \$ 22,821 | \$ 1,544,846 |
| Net earnings | | | 119,956 | | | 2,459 | 122,415 |
| Other comprehensive income (loss) | | | | 25,481 | | (755) | 24,726 |
| Cash dividends declared | | | (16,651) | | | | (16,651) |
| Dividends to noncontrolling interests | | | | | | (1,340) | (1,340) |
| Acquisition of DS SM | | | | | | 9,232 | 9,232 |
| Addition of noncontrolling interest | | | | | | 404 | 404 |
| Purchase of treasury shares; 490,172 shares acquired | | | | | (77,084) | | (77,084) |
| Stock plan exercises; 78,217 shares acquired | | | | | (11,984) | | (11,984) |
| Stock options exercised; 158,317 shares issued | | (7,262) | 6,312 | | 12,946 | | 11,996 |
| Tax benefit from stock option exercises | | 3,576 | | | | | 3,576 |
| Stock option expense | | 2,525 | | | | | 2,525 |
| Stock awards; 8,822 shares issued | | 1,161 | | | 1,268 | | 2,429 |
| Balance at June 28, 2014 | \$ 27,900 | \$ | \$ 1,672,287 | \$ (22,204) | \$ (95,714) | \$ 32,821 | \$ 1,615,090 |

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*Condensed Consolidated Financial Statements*

The Condensed Consolidated Balance Sheet as of June 28, 2014, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and twenty-six weeks ended June 28, 2014 and June 29, 2013, and the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the twenty-six week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of June 28, 2014 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2013. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 28, 2013. The results of operations for the period ended June 28, 2014 are not necessarily indicative of the operating results for the full year.

Inventories

Approximately 41% and 43% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of June 28, 2014 and December 28, 2013, respectively. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value is approximately \$47,141 and \$45,204 at June 28, 2014 and December 28, 2013, respectively.

Inventories consisted of the following:

| | June 28, 2014 | December 28, 2013 |
|---------------------------------------|------------------|----------------------|
| Raw materials and purchased parts | \$ 178,366 | \$ 179,576 |
| Work-in-process | 27,242 | 27,294 |
| Finished goods and manufactured goods | 223,476 | 218,334 |
| Subtotal | 429,084 | 425,204 |
| Less: LIFO reserve | 47,141 | 45,204 |
| | \$ 381,943 | \$ 380,000 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen and twenty-six weeks ended June 28, 2014 and June 29, 2013, were as follows:

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---------------|----------------------|------------|------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| United States | \$ 65,096 | \$ 98,684 | \$ 136,790 | \$ 187,421 |
| Foreign | 34,856 | 39,531 | 49,740 | 63,703 |
| | \$ 99,952 | \$ 138,215 | \$ 186,530 | \$ 251,124 |

Pension Benefits

The Company incurs expenses in connection with the Delta Pension Plan ("DPP"). The DPP was acquired as part of the Delta plc acquisition in fiscal 2010 and has no members that are active employees. In order to measure expense and the related benefit obligation, various assumptions are made including discount rates used to value the obligation, expected return on plan assets used to fund these expenses and estimated future inflation rates. These assumptions are based on historical experience as well as current facts and circumstances. An actuarial analysis is used to measure the expense and liability associated with pension benefits.

The components of the net periodic pension expense for the thirteen and twenty-six weeks ended June 28, 2014 and June 29, 2013 were as follows:

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--------------------------------|----------------------|----------|------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Net periodic benefit expense: | | | | |
| Interest cost | \$ 7,312 | \$ 6,487 | \$ 14,509 | \$ 13,058 |
| Expected return on plan assets | (6,640) | (4,875) | (13,175) | (9,813) |
| Net periodic benefit expense | \$ 672 | \$ 1,612 | \$ 1,334 | \$ 3,245 |

Stock Plans

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The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At June 28, 2014, 1,463,096 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the closing market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock options for the thirteen and twenty-six weeks ended June 28, 2014 and June 29, 2013, respectively, were as follows:

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|----------------------|----------------------|----------|------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Compensation expense | \$ 1,262 | \$ 1,314 | \$ 2,525 | \$ 2,627 |
| Income tax benefits | 486 | 505 | 972 | 1,011 |

Equity Method Investments

The Company has equity method investments in non-consolidated subsidiaries, which are recorded within "Other assets" on the Condensed Consolidated Balance Sheet. In February 2013, the Company sold its nonconsolidated investment in Manganese Materials Company Pty. Ltd. to the majority owner of the business for approximately \$29,250. The profit on the sale was not significant, which included the recognition of \$5,194 in currency translation adjustments previously recorded as part of "Accumulated other comprehensive income" on the Condensed Consolidated Balance Sheet. The Company also recognized certain deferred tax benefits of approximately \$3,200 associated with the sale in the first quarter of fiscal 2013.

Fair Value

The Company applies the provisions of Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to other accounting pronouncements that require or permit fair value measurements. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan of \$35,852 (\$27,133 at December 2013) represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their deferred compensation at any time. The Company's ownership in Delta EMD Pty. Ltd. (JSE:DTA) of \$10,114 and \$13,910 is recorded at fair value at June 28, 2014 and December 28, 2013, respectively. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

| | Carrying Value June 28, 2014 | Fair Value Measurement Using: | | |
|--------------------|------------------------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Trading Securities | \$ 45,966 | \$ 45,966 | \$ | \$ |

| | Carrying Value December 28, 2013 | Fair Value Measurement Using: | | |
|--------------------|--|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Trading Securities | \$ 41,043 | \$ 41,043 | \$ | \$ |

Comprehensive Income

Comprehensive income includes net earnings, currency translation adjustments, certain derivative-related activity and changes in net actuarial gains/losses from a pension plan. Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. Accumulated other comprehensive income (loss) consisted of the following at June 28, 2014 and December 28, 2013:

| | Foreign Currency Translation Adjustments | Unrealized Loss on Cash Flow Hedge | Defined Benefit Pension Plan | Accumulated Other Comprehensive Income |
|--|---|--|------------------------------------|---|
| Balance at December 28, 2013 | \$ (20,165) | \$ (2,535) | \$ (24,985) | \$ (47,685) |
| Current-period comprehensive income (loss) | 26,261 | 67 | (847) | 25,481 |
| Balance at June 28, 2014 | \$ 6,096 | \$ (2,468) | \$ (25,832) | \$ (22,204) |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. The new revenue recognition standard requires entities to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2016 and is to be applied retrospectively. Early application is not permitted. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

(2) ACQUISITIONS

On March 3, 2014, the Company purchased 90% of the outstanding shares of DS SM A/S, which was renamed Valmont SM. Valmont SM is a manufacturer of heavy complex steel structures for a diverse range of industries including wind energy, offshore oil and gas, and electricity transmission. Valmont SM's operations are reported in the Engineered Infrastructure Products Segment. Valmont SM's annual sales are approximately \$190,000 and it operates two manufacturing locations in Denmark. The purchase price paid for the business at closing (net of \$56 cash acquired) was \$120,483, including the payoff of an intercompany note payable by Valmont SM to its prior affiliates. The purchase is subject to an earn-out clause that is contingent on meeting future operational metrics for which no liability has been established based on current expectations. Additionally, the fair value measurements are subject to a trade working capital adjustment that has not yet been finalized. The acquisition, which was funded by cash held by the Company, was completed to participate in markets for wind energy, oil and gas exploration, power transmission and other related infrastructure projects and to increase the Company's geographic footprint in Europe. The Company also funded a portion of the acquisition with an intercompany note payable. The excess purchase price over the fair value of assets resulted in goodwill, which is not deductible for tax purposes.

The preliminary fair value measurement disclosed below is subject to management reviews and completion of the fair value measurements of the assets acquired and liabilities assumed. The Company expects the fair value measurement process and purchase price allocation to be completed in the third quarter of 2014 in conjunction with the finalization of the trade working capital settlement.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(2) ACQUISITIONS (Continued)

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed as of the date of acquisition.

| | At March 3, 2014 |
|---|---------------------|
| Current assets | \$ 73,421 |
| Property, plant and equipment | 88,917 |
| Intangible assets | 30,340 |
| Goodwill | 11,846 |
| | |
| Total fair value of assets acquired | \$ 204,524 |
| | |
| Current liabilities | 50,953 |
| Deferred income taxes | 14,915 |
| Intercompany note payable | 37,448 |
| Long-term debt | 8,941 |
| | |
| Total fair value of liabilities assumed | 112,257 |
| Non-controlling interests | 9,232 |
| | |
| Net assets acquired | \$ 83,035 |

The Company's Condensed Consolidated Statements of Earnings for the thirteen and twenty-six weeks ended June 28, 2014 included net sales of \$47,217 and \$64,521 and net earnings of \$2,925 and \$4,102, respectively, resulting from Valmont SM's operations from March 3, 2014 to June 28, 2014. No proforma information for 2014 has been provided as it does not have a material effect on the financial statements.

Based on the preliminary fair value assessments, the Company allocated \$30,340 of the purchase price to acquired intangible assets. The following table summarizes the major classes of Valmont SM's acquired intangible assets and the respective weighted average amortization periods:

| | Amount | Weighted Average Amortization Period (Years) |
|------------------------|-----------|--|
| Trade Names | \$ 12,210 | Indefinite |
| Backlog | 3,145 | 1.5 |
| Customer Relationships | 14,985 | 15.0 |

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Total Intangible Assets \$ 30,340

On February 5, 2013, the Company purchased 100% of the outstanding shares of Locker Group Holdings Pty. Ltd. ("Locker"). Locker is a manufacturer of perforated and expanded metal for the non-residential market, industrial flooring and handrails for the access systems market, and screening media for applications in the industrial and mining sectors in Australia and Asia. Locker's operations are reported in the Engineered Infrastructure Products Segment. The purchase price paid for the

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(2) ACQUISITIONS (Continued)

business at closing (net of \$116 cash acquired) was \$53,152. In addition, a maximum of \$7,911 additional purchase price may be paid to the sellers upon the achievement of certain gross profit and inventory targets over the next two years. The Company determined the present value of the potential additional purchase price at February 5, 2013 to be \$7,178. The acquisition, which was funded by cash held by the Company, was completed to expand our product offering and sales coverage for access systems and related products in Asia Pacific.

In December 2013, the Company purchased 100% of the outstanding shares of Armorflex International Ltd. ("Armorflex") for \$10,000. Armorflex is a company holding proprietary intellectual property for products serving the highway safety market. In the measurement of fair values of assets acquired and liabilities assumed, we recorded goodwill of \$6,823 and an aggregate of \$3,792 for customer relationships, patented technology and other intangible assets. The goodwill is not deductible for tax purposes. Armorflex is included in the Engineered Infrastructure Products segment and was acquired to expand the Company's highway safety product offerings in the Asia Pacific region. This acquisition did not have a significant effect on the Company's fiscal 2013 financial results.

The Company's Condensed Consolidated Statement of Earnings for the thirteen and twenty-six weeks ended June 28, 2014 included net sales of \$69,473 and \$104,054 and net earnings of \$3,888 and \$5,574 resulting from the Valmont SM, Locker, and Armorflex acquisitions. The pro forma effect of these acquisitions on the second quarter and first half of 2013 Statement of Earnings was as follows:

| | Thirteen weeks Ended June 29, 2013 | Twenty-six weeks Ended June 29, 2013 |
|----------------------------|---------------------------------------|---|
| Net sales | \$ 929,722 | \$ 1,797,577 |
| Net earnings | \$ 92,791 | \$ 172,224 |
| Earnings per share diluted | \$ 3.44 | \$ 6.41 |

(3) GOODWILL AND INTANGIBLE ASSETS

Amortized Intangible Assets

The components of amortized intangible assets at June 28, 2014 and December 28, 2013 were as follows:

| | June 28, 2014 | | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Weighted Average Life |
| Customer Relationships | \$ 194,824 | \$ 84,034 | 13 years |
| Proprietary Software & Database | 3,977 | 2,985 | 5 years |
| Patents & Proprietary Technology | 11,397 | 8,148 | 8 years |
| Other | 4,731 | 2,153 | 3 years |
| | \$ 214,929 | \$ 97,320 | |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(3) GOODWILL AND INTANGIBLE ASSETS (Continued)

| | December 28, 2013 | | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Weighted Average Life |
| Customer Relationships | \$ 177,495 | \$ 76,024 | 13 years |
| Proprietary Software & Database | 3,896 | 2,896 | 6 years |
| Patents & Proprietary Technology | 11,334 | 7,239 | 8 years |
| Other | 1,620 | 1,438 | 6 years |
| | \$ 194,345 | \$ 87,597 | |

Amortization expense for intangible assets for the thirteen and twenty-six weeks ended June 28, 2014 and June 29, 2013, respectively was as follows:

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|-------------------------|----------|---------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ 4,634 | \$ 3,458 | \$ 8,737 | \$ 7,696 |

Estimated annual amortization expense related to finite-lived intangible assets is as follows:

| | Estimated Amortization Expense |
|------|--------------------------------------|
| 2014 | \$ 18,243 |
| 2015 | 17,436 |
| 2016 | 15,470 |
| 2017 | 15,421 |
| 2018 | 13,738 |

The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(3) GOODWILL AND INTANGIBLE ASSETS (Continued)

Non-amortized intangible assets

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at June 28, 2014 and December 28, 2013 were as follows:

| | June 28, 2014 | December 28, 2013 | Year Acquired |
|--------------------------------|------------------|----------------------|------------------|
| Webforge | \$ 18,389 | \$ 17,787 | 2010 |
| Valmont SM | 12,059 | | 2014 |
| Newmark | 11,111 | 11,111 | 2004 |
| Ingal EPS/Ingal Civil Products | 9,705 | 9,387 | 2010 |
| Donhad | 7,322 | 7,082 | 2010 |
| Industrial Galvanizers | 4,257 | 4,117 | 2010 |
| Other | 14,907 | 14,685 | |
| | \$ 77,750 | \$ 64,169 | |

In its determination of these intangible assets as indefinite-lived, the Company considered such factors as its expected future use of the intangible asset, legal, regulatory, technological and competitive factors that may impact the useful life or value of the intangible asset and the expected costs to maintain the value of the intangible asset. The Company expects that these intangible assets will maintain their value indefinitely. Accordingly, these assets are not amortized.

The Company's trade names were tested for impairment in the third quarter of 2013 (exclusive of Valmont SM acquired in the first quarter of 2014). The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired.

Goodwill

The carrying amount of goodwill by segment as of June 28, 2014 and December 28, 2013 was as follows:

| | Engineered Infrastructure Products Segment | Utility Support Structures Segment | Coatings Segment | Irrigation Segment | Other | Total |
|---------------------------------|---|---|---------------------|-----------------------|-----------|------------|
| Balance at December 28, 2013 | \$ 175,442 | \$ 75,404 | \$ 77,062 | \$ 2,420 | \$ 19,304 | \$ 349,632 |
| Acquisitions | 11,846 | | | | | 11,846 |
| Foreign currency translation | 5,548 | | 679 | 46 | 654 | 6,927 |

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Balance at June 28, 2014 \$ 192,836 \$ 75,404 \$ 77,741 \$ 2,466 \$ 19,958 \$ 368,405

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(3) GOODWILL AND INTANGIBLE ASSETS (Continued)

The goodwill from acquisitions arose from the acquisition of Valmont SM in the first quarter of 2014. The Company's goodwill was tested for impairment during the third quarter of 2013. As a result of that testing, the Company determined that its goodwill was not impaired, as the valuation of the reporting units exceeded their respective carrying values. The Company continues to monitor changes in the global economy that could impact future operating results of its reporting units. If such conditions arise, the Company will test a given reporting unit for impairment prior to the annual test.

(4) CASH FLOW SUPPLEMENTARY INFORMATION

The Company considers all highly liquid temporary cash investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the twenty-six weeks ended June 28, 2014 and June 29, 2013 were as follows:

| | 2014 | 2013 |
|--------------|-----------|-----------|
| Interest | \$ 16,564 | \$ 16,329 |
| Income taxes | 77,691 | 103,604 |

On May 13, 2014, the Company announced a new capital allocation philosophy which increased the dividend by 50% and covered a share repurchase program of up to \$500 million of the Company's outstanding common stock to be acquired from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. As of June 28, 2014, the Company has acquired 490,172 shares for approximately \$77.1 million.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(5) EARNINGS PER SHARE

The following table provides a reconciliation between Basic and Diluted earnings per share (EPS):

| | Basic EPS | Dilutive Effect of Stock Options | Diluted EPS |
|---|--------------|--|----------------|
| Thirteen weeks ended June 28, 2014: | | | |
| Net earnings attributable to Valmont Industries, Inc. | \$ 63,976 | \$ | \$ 63,976 |
| Shares outstanding | 26,623 | 233 | 26,856 |
| Per share amount | \$ 2.40 | \$ (0.02) | \$ 2.38 |
| Thirteen weeks ended June 29, 2013: | | | |
| Net earnings attributable to Valmont Industries, Inc. | \$ 89,563 | \$ | \$ 89,563 |
| Shares outstanding | 26,648 | 262 | 26,910 |
| Per share amount | \$ 3.36 | \$ (0.03) | \$ 3.33 |
| Twenty-six weeks ended June 28, 2014: | | | |
| Net earnings attributable to Valmont Industries, Inc. | \$ 119,956 | \$ | \$ 119,956 |
| Shares outstanding | 26,669 | 234 | 26,903 |
| Per share amount | \$ 4.50 | \$ (0.04) | \$ 4.46 |
| Twenty-six weeks ended June 29, 2013: | | | |
| Net earnings attributable to Valmont Industries, Inc. | \$ 167,132 | \$ | \$ 167,132 |
| Shares outstanding | 26,615 | 269 | 26,884 |
| Per share amount | \$ 6.28 | \$ (0.06) | \$ 6.22 |

(6) BUSINESS SEGMENTS

The Company has four reportable segments based on its management structure. Each segment is global in nature with a manager responsible for segment operational performance and the allocation of capital within the segment. Net corporate expense is net of certain service-related expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars.

Reportable segments are as follows:

ENGINEERED INFRASTRUCTURE PRODUCTS: This segment consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, wind energy, offshore oil and gas, roadway safety and access systems applications;

UTILITY SUPPORT STRUCTURES: This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

COATINGS: This segment consists of galvanizing, anodizing and powder coating services on a global basis; and

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(6) BUSINESS SEGMENTS (Continued)

IRRIGATION: This segment consists of the manufacture of agricultural irrigation equipment and related parts and services for the global agricultural industry.

In addition to these four reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated sales. These include the manufacture of forged steel grinding media for the mining industry, tubular products for industrial customers, electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(6) BUSINESS SEGMENTS (Continued)

Summary by Business

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|----------------------|------------------|------------------------|------------------|
| | June 28, 2014 | June 29, 2013 | June 28, 2014 | June 29, 2013 |
| SALES: | | | | |
| Engineered Infrastructure Products segment: | | | | |
| Lighting, Traffic, and Roadway Products | \$ 164,753 | \$ 161,487 | \$ 303,730 | \$ 308,657 |
| Communication Products | 43,618 | 34,771 | 73,504 | 63,393 |
| Offshore Structures | 47,217 | | 64,521 | |
| Access Systems | 48,764 | 54,378 | 91,059 | 102,256 |
| Engineered Infrastructure Products segment | 304,352 | 250,636 | 532,814 | 474,306 |
| Utility Support Structures segment: | | | | |
| Steel | 179,574 | 200,650 | 371,011 | 411,661 |
| Concrete | 33,456 | 27,593 | 56,746 | 56,220 |
| Utility Support Structures segment | 213,030 | 228,243 | 427,757 | 467,881 |
| Coatings segment | 85,157 | 93,798 | 167,328 | 183,043 |
| Irrigation segment | 219,917 | 270,175 | 432,650 | 514,882 |
| Other | 61,786 | 83,679 | 120,388 | 161,548 |
| Total | 884,242 | 926,531 | 1,680,937 | 1,801,660 |
| INTERSEGMENT SALES: | | | | |
| Engineered Infrastructure Products segment | 18,166 | 22,169 | 37,731 | 51,621 |
| Utility Support Structures segment | 1,025 | 299 | 1,520 | 710 |
| Coatings segment | 14,770 | 14,448 | 29,723 | 28,778 |
| Irrigation segment | 4 | 1 | 13 | 1 |
| Other | 7,678 | 10,955 | 17,611 | 22,261 |
| Total | 41,643 | 47,872 | 86,598 | 103,371 |
| NET SALES: | | | | |
| Engineered Infrastructure Products segment | 286,186 | 228,467 | 495,083 | 422,685 |
| Utility Support Structures segment | 212,005 | 227,944 | 426,237 | 467,171 |
| Coatings segment | 70,387 | 79,350 | 137,605 | 154,265 |
| Irrigation segment | 219,913 | 270,174 | 432,637 | 514,881 |
| Other | 54,108 | 72,724 | 102,777 | 139,287 |
| Total | \$ 842,599 | \$ 878,659 | \$ 1,594,339 | \$ 1,698,289 |

OPERATING INCOME:

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Engineered Infrastructure Products segment | \$ 28,625 | \$ 22,603 | \$ 42,334 | \$ 35,337 |
| Utility Support Structures segment | 26,375 | 42,121 | 59,132 | 88,276 |
| Coatings segment | 15,820 | 23,552 | 29,706 | 36,972 |
| Irrigation segment | 41,473 | 64,174 | 84,619 | 118,733 |
| Other | 8,343 | 13,025 | 16,893 | 23,812 |
| Corporate | (15,860) | (21,210) | (29,060) | (40,675) |
| Total | \$ 104,776 | \$ 144,265 | \$ 203,624 | \$ 262,455 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION

The Company has \$450,000 principal amount of senior unsecured notes outstanding at a coupon interest rate of 6.625% per annum. The notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

In 2014, the Company classified "Equity in earnings of nonconsolidated subsidiaries" as an adjustment to reconcile net earnings to operating cash flows, as part of "Net cash flows from operating activities" in the Condensed Consolidating Statement of Cash Flows. In the 2013 Condensed Consolidating Statement of Cash Flows, these amounts were classified within "Other, net", as part of "Net cash flows from investing activities". The Company revised its presentation for 2013 with respect to the supplemental information included in this footnote in order to achieve comparability in the Condensed Consolidating Statements of Cash Flows.

The revisions consisted of recording the amounts previously reported in "Other, net" in cash flows from investing activities that were related to earnings from subsidiaries to "Equity in earnings of nonconsolidated subsidiaries" in cash flows from operating activities. Accordingly, the eliminations to reconcile consolidated net earnings are contained in the "Net cash flows from operating activities".

The "Non-Guarantor" and "Total" columns were not affected by any of these revisions. There was also no effect on the consolidated (total) net cash flows or any other statements in this footnote. The following is a reconciliation of the columns affected for 2013.

| | Parent As previously reported | Parent As revised | Guarantor As previously reported | Guarantor As revised | Eliminations As previously reported | Eliminations As revised |
|--|--|----------------------|---|-------------------------|---|----------------------------|
| 2013 | | | | | | |
| Cash flows from operating activities: | | | | | | |
| Equity in earnings of nonconsolidated subsidiaries | \$ (266) | \$ (85,146) | \$ (42,385) | \$ (42,385) | \$ | \$ 127,265 |
| Net cash flows from operating activities | 180,493 | 95,613 | 68,144 | 25,759 | (124,172) | 3,093 |
| Cash flows from investing activities: | | | | | | |
| Other, net | (53,317) | 31,563 | (99,472) | (57,087) | 124,172 | (3,093) |
| Net cash flows from investing activities | (74,677) | 10,203 | (118,009) | (75,624) | 124,172 | (3,093) |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

Consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Thirteen weeks ended June 28, 2014

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net sales | \$ 378,642 | \$ 124,414 | \$ 387,715 | \$ (48,172) | \$ 842,599 |
| Cost of sales | 280,054 | 91,536 | 298,764 | (48,232) | 622,122 |
| Gross profit | 98,588 | 32,878 | 88,951 | 60 | 220,477 |
| Selling, general and administrative expenses | 50,164 | 12,670 | 52,867 | | 115,701 |
| Operating income | 48,424 | 20,208 | 36,084 | 60 | 104,776 |
| Other income (expense): | | | | | |
| Interest expense | (7,691) | (11,337) | (613) | 11,337 | (8,304) |
| Interest income | 6 | 152 | 12,756 | (11,337) | 1,577 |
| Other | 1,754 | 140 | 9 | | 1,903 |
| | (5,931) | (11,045) | 12,152 | | (4,824) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 42,493 | 9,163 | 48,236 | 60 | 99,952 |
| Income tax expense (benefit): | | | | | |
| Current | 9,315 | 2,626 | 14,148 | 28 | 26,117 |
| Deferred | 7,672 | 2,079 | (1,798) | | 7,953 |
| | 16,987 | 4,705 | 12,350 | 28 | 34,070 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 25,506 | 4,458 | 35,886 | 32 | 65,882 |
| Equity in earnings of nonconsolidated subsidiaries | | | | | |

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| | | | | | |
|---|-----------|-----------|-----------|-------------|-----------|
| | 38,470 | 16,964 | (55,464) | (30) | |
| Net earnings | 63,976 | 21,422 | 35,886 | (55,432) | 65,852 |
| Less: Earnings attributable to noncontrolling interests | | | (1,876) | | (1,876) |
| Net earnings attributable to Valmont Industries, Inc | \$ 63,976 | \$ 21,422 | \$ 34,010 | \$ (55,432) | \$ 63,976 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Twenty-six weeks ended June 28, 2014

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|--------------|
| Net sales | \$ 755,284 | \$ 260,311 | \$ 687,996 | \$ (109,252) | \$ 1,594,339 |
| Cost of sales | 551,813 | 191,352 | 533,398 | (109,683) | 1,166,880 |
| Gross profit | 203,471 | 68,959 | 154,598 | 431 | 427,459 |
| Selling, general and administrative expenses | 97,954 | 25,661 | 100,220 | | 223,835 |
| Operating income | 105,517 | 43,298 | 54,378 | 431 | 203,624 |
| Other income (expense): | | | | | |
| Interest expense | (15,366) | (22,217) | (1,135) | 22,217 | (16,501) |
| Interest income | 26 | 335 | 25,172 | (22,217) | 3,316 |
| Other | 1,821 | (352) | (5,378) | | (3,909) |
| | (13,519) | (22,234) | 18,659 | | (17,094) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 91,998 | 21,064 | 73,037 | 431 | 186,530 |
| Income tax expense (benefit): | | | | | |
| Current | 29,193 | 8,213 | 21,517 | 132 | 59,055 |
| Deferred | 5,829 | 1,667 | (2,466) | | 5,030 |
| | 35,022 | 9,880 | 19,051 | 132 | 64,085 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 56,976 | 11,184 | 53,986 | 299 | 122,445 |
| Equity in earnings of nonconsolidated subsidiaries | 62,980 | 25,903 | | (88,913) | (30) |

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| | | | | | |
|---|---------|--------|---------|----------|---------|
| Net earnings | 119,956 | 37,087 | 53,986 | (88,614) | 122,415 |
| Less: Earnings attributable to noncontrolling interests | | | (2,459) | | (2,459) |

| | | | | | |
|--|------------|-----------|-----------|-------------|------------|
| Net earnings attributable to Valmont Industries, Inc | \$ 119,956 | \$ 37,087 | \$ 51,527 | \$ (88,614) | \$ 119,956 |
|--|------------|-----------|-----------|-------------|------------|

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Thirteen weeks ended June 29, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net sales | \$ 426,817 | \$ 169,027 | \$ 360,802 | \$ (77,987) | \$ 878,659 |
| Cost of sales | 297,949 | 126,290 | 273,482 | (80,533) | 617,188 |
| Gross profit | 128,868 | 42,737 | 87,320 | 2,546 | 261,471 |
| Selling, general and administrative expenses | 55,720 | 14,347 | 47,139 | | 117,206 |
| Operating income | 73,148 | 28,390 | 40,181 | 2,546 | 144,265 |
| Other income (expense): | | | | | |
| Interest expense | (7,636) | (11,944) | (390) | 11,945 | (8,025) |
| Interest income | 8 | 237 | 13,552 | (11,945) | 1,852 |
| Other | 394 | 31 | (302) | | 123 |
| | (7,234) | (11,676) | 12,860 | | (6,050) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 65,914 | 16,714 | 53,041 | 2,546 | 138,215 |
| Income tax expense (benefit): | | | | | |
| Current | 24,824 | 6,546 | 16,182 | 658 | 48,210 |
| Deferred | (750) | 1,399 | (1,691) | | (1,042) |
| | 24,074 | 7,945 | 14,491 | 658 | 47,168 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 41,840 | 8,769 | 38,550 | 1,888 | 91,047 |
| Equity in earnings of nonconsolidated subsidiaries | 47,723 | 23,234 | | (70,688) | 269 |

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| | | | | | |
|---|--------|--------|---------|----------|---------|
| Net earnings | 89,563 | 32,003 | 38,550 | (68,800) | 91,316 |
| Less: Earnings attributable to noncontrolling interests | | | (1,753) | | (1,753) |

Net earnings attributable to Valmont Industries, Inc \$ 89,563 \$ 32,003 \$ 36,797 \$ (68,800) \$ 89,563

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Twenty-six weeks ended June 29, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|--------------|
| Net sales | \$ 843,430 | \$ 339,876 | \$ 686,211 | \$ (171,228) | \$ 1,698,289 |
| Cost of sales | 598,629 | 255,288 | 521,865 | (174,333) | 1,201,449 |
| Gross profit | 244,801 | 84,588 | 164,346 | 3,105 | 496,840 |
| Selling, general and administrative expenses | 105,746 | 28,341 | 100,298 | | 234,385 |
| Operating income | 139,055 | 56,247 | 64,048 | 3,105 | 262,455 |
| Other income (expense): | | | | | |
| Interest expense | (15,391) | (24,574) | (824) | 24,574 | (16,215) |
| Interest income | 15 | 490 | 27,274 | (24,574) | 3,205 |
| Other | 1,802 | 46 | (169) | | 1,679 |
| | (13,574) | (24,038) | 26,281 | | (11,331) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 125,481 | 32,209 | 90,329 | 3,105 | 251,124 |
| Income tax expense (benefit): | | | | | |
| Current | 45,999 | 13,382 | 26,652 | 837 | 86,870 |
| Deferred | (2,504) | 1,702 | (3,927) | | (4,729) |
| | 43,495 | 15,084 | 22,725 | 837 | 82,141 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 81,986 | 17,125 | 67,604 | 2,268 | 168,983 |
| Equity in earnings of nonconsolidated subsidiaries | 85,146 | 42,385 | 207 | (127,265) | 473 |

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| | | | | | |
|---|---------|--------|---------|-----------|---------|
| Net earnings | 167,132 | 59,510 | 67,811 | (124,997) | 169,456 |
| Less: Earnings attributable to noncontrolling interests | | | (2,324) | | (2,324) |

Net earnings attributable to Valmont Industries, Inc \$ 167,132 \$ 59,510 \$ 65,487 \$ (124,997) \$ 167,132

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Thirteen weeks ended June 28, 2014

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Net earnings | \$ 63,976 | \$ 21,422 | \$ 35,886 | \$ (55,432) | \$ 65,852 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments: | | | | | |
| Unrealized gains (losses) arising during the period | | (8,954) | 22,823 | | 13,869 |
| | | (8,954) | 22,823 | | 13,869 |
| Unrealized loss on cash flow hedge: | | | | | |
| Amortization cost included in interest expense | 100 | | (133) | | (33) |
| | 100 | | (133) | | (33) |
| Actuarial gain (loss) in defined benefit pension plan liability | | | (614) | | (614) |
| Equity in other comprehensive income | 13,206 | | | (13,206) | |
| Other comprehensive income (loss) | 13,306 | (8,954) | 22,076 | (13,206) | 13,222 |
| Comprehensive income | 77,282 | 12,468 | 57,962 | (68,638) | 79,074 |
| Comprehensive income attributable to noncontrolling interests | | | (1,792) | | (1,792) |
| Comprehensive income attributable to Valmont Industries, Inc. | \$ 77,282 | \$ 12,468 | \$ 56,170 | \$ (68,638) | \$ 77,282 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Twenty-six weeks ended June 28, 2014

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net earnings | \$ 119,956 | \$ 37,087 | \$ 53,986 | \$ (88,614) | \$ 122,415 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments: | | | | | |
| Unrealized gains (losses) arising during the period | | (29,315) | 54,821 | | 25,506 |
| | | (29,315) | 54,821 | | 25,506 |
| Unrealized loss on cash flow hedge: | | | | | |
| Amortization cost included in interest expense | 200 | | (133) | | 67 |
| | 200 | | (133) | | 67 |
| Actuarial gain (loss) in defined benefit pension plan liability | | | (847) | | (847) |
| Equity in other comprehensive income | 25,281 | | | (25,281) | |
| Other comprehensive income (loss) | 25,481 | (29,315) | 53,841 | (25,281) | 24,726 |
| Comprehensive income | 145,437 | 7,772 | 107,827 | (113,895) | 147,141 |
| Comprehensive income attributable to noncontrolling interests | | | (1,704) | | (1,704) |
| Comprehensive income attributable to Valmont Industries, Inc. | \$ 145,437 | \$ 7,772 | \$ 106,123 | \$ (113,895) | \$ 145,437 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Thirteen weeks ended June 29, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Net earnings | \$ 89,563 | \$ 32,003 | \$ 38,550 | \$ (68,800) | \$ 91,316 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments: | | | | | |
| Unrealized gains (losses) arising during the period | | 65,807 | (118,769) | | (52,962) |
| | | 65,807 | (118,769) | | (52,962) |
| Unrealized loss on cash flow hedge: | | | | | |
| Amortization cost included in interest expense | 100 | | | | 100 |
| | 100 | | | | 100 |
| Actuarial gain (loss) in defined benefit pension plan liability | | | 42 | | 42 |
| Equity in other comprehensive income | (49,618) | | | 49,618 | |
| Other comprehensive income (loss) | (49,518) | 65,807 | (118,727) | 49,618 | (52,820) |
| Comprehensive income | 40,045 | 97,810 | (80,177) | (19,182) | 38,496 |
| Comprehensive income attributable to noncontrolling interests | | | 1,549 | | 1,549 |
| Comprehensive income attributable to Valmont Industries, Inc. | \$ 40,045 | \$ 97,810 | \$ (78,628) | \$ (19,182) | \$ 40,045 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Twenty-six weeks ended June 29, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net earnings | \$ 167,132 | \$ 59,510 | \$ 67,811 | \$ (124,997) | \$ 169,456 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments: | | | | | |
| Unrealized gains (losses) arising during the period | | 27,486 | (90,068) | | (62,582) |
| Realized loss included in net earnings during the period | | | (5,194) | | (5,194) |
| | | 27,486 | (95,262) | | (67,776) |
| Unrealized loss on cash flow hedge: | | | | | |
| Amortization cost included in interest expense | 200 | | | | 200 |
| | 200 | | | | 200 |
| Actuarial gain (loss) in defined benefit pension plan liability | | | (894) | | (894) |
| Equity in other comprehensive income | (63,157) | | | 63,157 | |
| Other comprehensive income (loss) | (62,957) | 27,486 | (96,156) | 63,157 | (68,470) |
| Comprehensive income | 104,175 | 86,996 | (28,345) | (61,840) | 100,986 |
| Comprehensive income attributable to noncontrolling interests | | | 3,189 | | 3,189 |
| Comprehensive income attributable to Valmont Industries, Inc. | \$ 104,175 | \$ 86,996 | \$ (25,156) | \$ (61,840) | \$ 104,175 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

June 28, 2014

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|--------------|--------------|----------------|----------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 63,127 | \$ 49,455 | \$ 343,345 | \$ | \$ 455,927 |
| Receivables, net | 148,649 | 73,846 | 321,113 | | 543,608 |
| Inventories | 123,369 | 59,580 | 198,994 | | 381,943 |
| Prepaid expenses | 6,606 | 690 | 59,620 | | 66,916 |
| Refundable and deferred income taxes | 51,058 | 6,285 | 13,991 | | 71,334 |
| Total current assets | 392,809 | 189,856 | 937,063 | | 1,519,728 |
| Property, plant and equipment, at cost | 548,424 | 126,706 | 485,012 | | 1,160,142 |
| Less accumulated depreciation and amortization | 311,358 | 65,166 | 144,764 | | 521,288 |
| Net property, plant and equipment | 237,066 | 61,540 | 340,248 | | 638,854 |
| Goodwill | 20,108 | 107,542 | 240,755 | | 368,405 |
| Other intangible assets | 319 | 46,052 | 148,988 | | 195,359 |
| Investment in subsidiaries and intercompany accounts | 1,578,856 | 1,445,118 | 509,824 | (3,533,798) | |
| Other assets | 40,228 | | 96,030 | | 136,258 |
| Total assets | \$ 2,269,386 | \$ 1,850,108 | \$ 2,272,908 | \$ (3,533,798) | \$ 2,858,604 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | | | | |
|--|--------|--------|---------|----|---------|
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 188 | \$ | \$ | \$ | \$ 188 |
| Notes payable to banks | | | 17,485 | | 17,485 |
| Accounts payable | 63,503 | 16,471 | 128,860 | | 208,834 |
| Accrued employee compensation and benefits | 46,513 | 6,332 | 42,520 | | 95,365 |
| Accrued expenses | 33,746 | 6,284 | 51,601 | | 91,631 |
| Dividends payable | 9,930 | | | | 9,930 |

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| | | | | | |
|--|--------------|--------------|--------------|----------------|--------------|
| Total current liabilities | 153,880 | 29,087 | 240,466 | | 423,433 |
| Deferred income taxes | 13,406 | 28,879 | 53,389 | | 95,674 |
| Long-term debt, excluding current installments | 469,216 | 544,497 | 9,282 | (544,497) | 478,498 |
| Defined benefit pension liability | | | 143,114 | | 143,114 |
| Deferred compensation | 41,134 | | 7,158 | | 48,292 |
| Other noncurrent liabilities | 9,481 | | 45,022 | | 54,503 |
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | 27,900 | 457,950 | 254,982 | (712,932) | 27,900 |
| Additional paid-in capital | | 150,286 | 1,034,236 | (1,184,522) | |
| Retained earnings | 1,672,287 | 602,280 | 522,868 | (1,125,148) | 1,672,287 |
| Accumulated other comprehensive income (loss) | (22,204) | 37,129 | (70,430) | 33,301 | (22,204) |
| Treasury stock | (95,714) | | | | (95,714) |
| Total Valmont Industries, Inc. shareholders' equity | 1,582,269 | 1,247,645 | 1,741,656 | (2,989,301) | 1,582,269 |
| Noncontrolling interest in consolidated subsidiaries | | | 32,821 | | 32,821 |
| Total shareholders' equity | 1,582,269 | 1,247,645 | 1,774,477 | (2,989,301) | 1,615,090 |
| Total liabilities and shareholders' equity | \$ 2,269,386 | \$ 1,850,108 | \$ 2,272,908 | \$ (3,533,798) | \$ 2,858,604 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

December 28, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|--------------|--------------|----------------|----------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 215,576 | \$ 49,053 | \$ 349,077 | \$ | \$ 613,706 |
| Receivables, net | 139,179 | 108,646 | 267,615 | | 515,440 |
| Inventories | 132,953 | 70,231 | 176,816 | | 380,000 |
| Prepaid expenses | 4,735 | 932 | 17,330 | | 22,997 |
| Refundable and deferred income taxes | 41,167 | 8,351 | 16,179 | | 65,697 |
| | | | | | |
| Total current assets | 533,610 | 237,213 | 827,017 | | 1,597,840 |
| | | | | | |
| Property, plant and equipment, at cost | 522,734 | 125,764 | 368,628 | | 1,017,126 |
| Less accumulated depreciation and amortization | 300,066 | 61,520 | 121,330 | | 482,916 |
| | | | | | |
| Net property, plant and equipment | 222,668 | 64,244 | 247,298 | | 534,210 |
| | | | | | |
| Goodwill | 20,108 | 107,542 | 221,982 | | 349,632 |
| Other intangible assets | 346 | 48,461 | 122,110 | | 170,917 |
| Investment in subsidiaries and intercompany accounts | 1,417,425 | 1,367,308 | 518,059 | (3,302,792) | |
| Other assets | 30,759 | | 93,136 | | 123,895 |
| | | | | | |
| Total assets | \$ 2,224,916 | \$ 1,824,768 | \$ 2,029,602 | \$ (3,302,792) | \$ 2,776,494 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | | | | |
|--|--------|--------|---------|----|---------|
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 188 | \$ | \$ 14 | \$ | \$ 202 |
| Notes payable to banks | | | 19,024 | | 19,024 |
| Accounts payable | 62,153 | 20,365 | 133,603 | | 216,121 |
| Accrued employee compensation and benefits | 76,370 | 13,713 | 32,884 | | 122,967 |
| Accrued expenses | 28,362 | 7,315 | 35,883 | | 71,560 |
| Dividends payable | 6,706 | | | | 6,706 |

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| | | | | | |
|--|--------------|--------------|--------------|----------------|--------------|
| Total current liabilities | 173,779 | 41,393 | 221,408 | | 436,580 |
| Deferred income taxes | 18,983 | 29,279 | 30,662 | | 78,924 |
| Long-term debt, excluding current installments | 470,175 | 514,223 | 732 | (514,223) | 470,907 |
| Defined benefit pension liability | | | 154,397 | | 154,397 |
| Deferred compensation | 32,339 | | 6,770 | | 39,109 |
| Other noncurrent liabilities | 7,615 | | 44,116 | | 51,731 |
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | 27,900 | 457,950 | 254,982 | (712,932) | 27,900 |
| Additional paid-in capital | | 150,286 | 891,236 | (1,041,522) | |
| Retained earnings | 1,562,670 | 565,193 | 517,703 | (1,082,896) | 1,562,670 |
| Accumulated other comprehensive income | (47,685) | 66,444 | (115,225) | 48,781 | (47,685) |
| Treasury stock | (20,860) | | | | (20,860) |
| Total Valmont Industries, Inc. shareholders' equity | 1,522,025 | 1,239,873 | 1,548,696 | (2,788,569) | 1,522,025 |
| Noncontrolling interest in consolidated subsidiaries | | | 22,821 | | 22,821 |
| Total shareholders' equity | 1,522,025 | 1,239,873 | 1,571,517 | (2,788,569) | 1,544,846 |
| Total liabilities and shareholders' equity | \$ 2,224,916 | \$ 1,824,768 | \$ 2,029,602 | \$ (3,302,792) | \$ 2,776,494 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Twenty-six Weeks Ended June 28, 2014

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|------------|------------|----------------|--------------|------------|
| Cash flows from operating activities: | | | | | |
| Net earnings | \$ 119,956 | \$ 37,087 | \$ 53,986 | \$ (88,614) | \$ 122,415 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | | | |
| Depreciation and amortization | 12,539 | 6,584 | 24,245 | | 43,368 |
| Loss on investment | | | 3,501 | | 3,501 |
| Stock-based compensation | 3,686 | | | | 3,686 |
| Defined benefit pension plan expense | | | 1,334 | | 1,334 |
| Contribution to defined benefit pension plan | | | (17,484) | | (17,484) |
| Gain on sale of property, plant and equipment | 7 | (74) | (35) | | (102) |
| Equity in earnings in nonconsolidated subsidiaries | (62,980) | (25,903) | | 88,913 | 30 |
| Deferred income taxes | 5,829 | 1,667 | (2,466) | | 5,030 |
| Changes in assets and liabilities (net of acquisitions): | | | | | |
| Receivables | (9,471) | 34,803 | (4,249) | | 21,083 |
| Inventories | 9,584 | 10,651 | (13,611) | | 6,624 |
| Prepaid expenses | (1,870) | 241 | (16,660) | | (18,289) |
| Accounts payable | 1,352 | (3,892) | (26,093) | | (28,633) |
| Accrued expenses | (23,205) | (8,411) | 1,201 | | (30,415) |
| Other noncurrent liabilities | 1,941 | | (175) | | 1,766 |
| Income taxes payable (refundable) | (22,572) | 1,071 | (562) | | (22,063) |
| Net cash flows from operating activities | 34,796 | 53,824 | 2,932 | 299 | 91,851 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (27,046) | (1,486) | (18,459) | | (46,991) |
| Proceeds from sale of assets | 21 | 88 | 1,042 | | 1,151 |
| Acquisitions, net of cash acquired | | | (120,483) | | (120,483) |
| Other, net | 49,004 | (25,784) | (25,861) | (299) | (2,940) |
| Net cash flows from investing activities | 21,979 | (27,182) | (163,761) | (299) | (169,263) |
| Cash flows from financing activities: | | | | | |
| Net borrowings under short-term agreements | | | (1,861) | | (1,861) |
| Principal payments on long-term borrowings | (196) | | (63) | | (259) |
| Dividends paid | (13,427) | | | | (13,427) |
| Intercompany dividends | 20,895 | 25,467 | (46,362) | | |
| Dividends to noncontrolling interest | | | (1,340) | | (1,340) |
| Intercompany interest on long-term note | | (54,398) | 54,398 | | |
| Intercompany capital contribution | (143,000) | | 143,000 | | |
| Proceeds from exercises under stock plans | 11,996 | | | | 11,996 |
| Excess tax benefits from stock option exercises | 3,576 | | | | 3,576 |
| Purchase of treasury shares | (77,084) | | | | (77,084) |

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| | | | | |
|--|------------------|------------------|-------------------|-------------------|
| Purchase of common treasury shares stock plan exercises: | (11,984) | | | (11,984) |
| Net cash flows from financing activities | (209,224) | (28,931) | 147,772 | (90,383) |
| Effect of exchange rate changes on cash and cash equivalents | | 2,691 | 7,325 | 10,016 |
| Net change in cash and cash equivalents | (152,449) | 402 | (5,732) | (157,779) |
| Cash and cash equivalents beginning of year | 215,576 | 49,053 | 349,077 | 613,706 |
| Cash and cash equivalents end of period | \$ 63,127 | \$ 49,455 | \$ 343,345 | \$ 455,927 |

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Twenty-six Weeks Ended June 29, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|---------------|-----------------|----------------|----------------|-----------------|
| Cash flows from operations: | | | | | |
| Net earnings | \$ 167,132 | \$ 59,510 | \$ 67,811 | \$ (124,997) | \$ 169,456 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | | | |
| Depreciation and amortization | 9,834 | 6,452 | 21,900 | | 38,186 |
| Stock-based compensation | 3,342 | | | | 3,342 |
| Defined benefit pension plan expense | | | 3,245 | | 3,245 |
| Contribution to defined benefit pension plan | | | (10,346) | | (10,346) |
| Gain on sale of property, plant and equipment | 337 | 36 | (5,444) | | (5,071) |
| Equity in earnings of nonconsolidated subsidiaries | (85,146) | (42,385) | (207) | 127,265 | (473) |
| Deferred income taxes | (2,504) | 1,702 | (3,927) | | (4,729) |
| Changes in assets and liabilities: | | | | | |
| Receivables | 453 | 5,235 | (9,019) | | (3,331) |
| Inventories | 10,524 | 1,643 | (14,658) | | (2,491) |
| Prepaid expenses | 579 | 318 | (6,807) | | (5,910) |
| Accounts payable | (6,052) | (2,877) | 9,665 | | 736 |
| Accrued expenses | 4,471 | (1,932) | 377 | | 2,916 |
| Other noncurrent liabilities | 3,058 | | (1,185) | | 1,873 |
| Income taxes payable (refundable) | (10,415) | (1,943) | (277) | 825 | (11,810) |
| Net cash flows from operations | 95,613 | 25,759 | 51,128 | 3,093 | 175,593 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (22,826) | (18,569) | (12,863) | | (54,258) |
| Proceeds from sale of assets | 1,466 | 32 | 37,556 | | 39,054 |
| Acquisitions, net of cash acquired | | | (53,152) | | (53,152) |
| Other, net | 31,563 | (57,087) | 28,484 | (3,093) | (133) |
| Net cash flows from investing activities | 10,203 | (75,624) | 25 | (3,093) | (68,489) |
| Cash flows from financing activities: | | | | | |
| Net borrowings under short-term agreements | | | 2,620 | | 2,620 |
| Proceeds from long-term borrowings | | | 68 | | 68 |
| Principal payments on long-term borrowings | (186) | | (117) | | (303) |
| Dividends paid | (12,021) | | | | (12,021) |
| Dividend to noncontrolling interests | | | (1,767) | | (1,767) |
| Proceeds from exercises under stock plans | 14,098 | | | | 14,098 |
| Excess tax benefits from stock option exercises | 305 | | | | 305 |
| Purchase of common treasury shares stock plan exercises | (13,602) | | | | (13,602) |

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| | | | | |
|--|------------|-----------|------------|------------|
| Net cash flows from financing activities | (11,406) | | 804 | (10,602) |
| Effect of exchange rate changes on cash and cash equivalents | | (3,600) | (16,554) | (20,154) |
| Net change in cash and cash equivalents | 94,410 | (53,465) | 35,403 | 76,348 |
| Cash and cash equivalents beginning of year | 40,926 | 83,203 | 290,000 | 414,129 |
| Cash and cash equivalents end of period | \$ 135,336 | \$ 29,738 | \$ 325,403 | \$ 490,477 |

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions that management has made in light of experience in the industries in which the Company operates, as well as management's perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions. Many factors could affect the Company's actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. These factors include, among other things, risk factors described from time to time in the Company's reports to the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, and actions and policy changes of domestic and foreign governments.

This discussion should be read in conjunction with the financial statements and notes thereto, and the management's discussion and analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2013. Segment sales in the table below are presented net of intersegment sales.

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Results of Operations

Dollars in millions, except per share amounts

| | Thirteen Weeks Ended | | | Twenty-six Weeks Ended | | |
|---|----------------------|------------------|--------------------|------------------------|------------------|--------------------|
| | June 28, 2014 | June 29, 2013 | % Incr. (Decr.) | June 28, 2014 | June 29, 2013 | % Incr. (Decr.) |
| Consolidated | | | | | | |
| Net sales | \$ 842.6 | \$ 878.7 | (4.1)% | \$ 1,594.3 | \$ 1,698.3 | (6.1)% |
| Gross profit | 220.5 | 261.5 | (15.7)% | 427.5 | 496.8 | (13.9)% |
| <i>as a percent of sales</i> | 26.2% | 29.8% | | 26.8% | 29.3% | |
| SG&A expense | 115.7 | 117.2 | (1.3)% | 223.9 | 234.4 | (4.5)% |
| <i>as a percent of sales</i> | 13.7% | 13.3% | | 14.0% | 13.8% | |
| Operating income | 104.8 | 144.3 | (27.4)% | 203.6 | 262.5 | (22.4)% |
| <i>as a percent of sales</i> | 12.4% | 16.4% | | 12.8% | 15.5% | |
| Net interest expense | 6.7 | 6.2 | 8.1% | 13.2 | 13.0 | 1.5% |
| Effective tax rate | 34.1% | 34.1% | | 34.4% | 32.7% | |
| Net earnings | \$ 64.0 | \$ 89.6 | (28.6)% | \$ 120.0 | \$ 167.1 | (28.2)% |
| Diluted earnings per share | \$ 2.38 | \$ 3.33 | (28.5)% | \$ 4.46 | \$ 6.22 | (28.3)% |
| Engineered Infrastructure Products | | | | | | |
| Net sales | \$ 286.2 | \$ 228.5 | 25.3% | \$ 495.1 | \$ 422.7 | 17.1% |
| Gross profit | 73.9 | 64.8 | 14.0% | 128.4 | 118.4 | 8.4% |
| SG&A expense | 45.3 | 42.2 | 7.3% | 86.1 | 83.1 | 3.6% |
| Operating income | 28.6 | 22.6 | 26.5% | 42.3 | 35.3 | 19.8% |
| Utility Support Structures | | | | | | |
| Net sales | \$ 212.0 | \$ 227.9 | (7.0)% | \$ 426.2 | \$ 467.2 | (8.8)% |
| Gross profit | 45.9 | 62.1 | (26.1)% | 98.0 | 128.0 | (23.4)% |
| SG&A expense | 19.6 | 20.0 | (2.0)% | 38.9 | 39.7 | (2.0)% |
| Operating income | 26.3 | 42.1 | (37.5)% | 59.1 | 88.3 | (33.1)% |
| Coatings | | | | | | |
| Net sales | \$ 70.4 | \$ 79.4 | (11.3)% | \$ 137.6 | \$ 154.3 | (10.8)% |
| Gross profit | 25.3 | 29.1 | (13.1)% | 48.6 | 52.2 | (6.9)% |
| SG&A expense | 9.5 | 5.5 | 72.7% | 18.9 | 15.2 | 24.3% |
| Operating income | 15.8 | 23.6 | (33.1)% | 29.7 | 37.0 | (19.7)% |
| Irrigation | | | | | | |
| Net sales | \$ 219.9 | \$ 270.2 | (18.6)% | \$ 432.6 | \$ 514.9 | (16.0)% |
| Gross profit | 62.9 | 87.0 | (27.7)% | 127.6 | 163.5 | (22.0)% |
| SG&A expense | 21.3 | 22.9 | (7.0)% | 42.9 | 44.8 | (4.2)% |
| Operating income | 41.6 | 64.1 | (35.1)% | 84.7 | 118.7 | (28.6)% |
| Other | | | | | | |
| Net sales | \$ 54.1 | \$ 72.7 | (25.6)% | \$ 102.8 | \$ 139.2 | (26.1)% |
| Gross profit | 12.4 | 18.3 | (32.2)% | 24.7 | 34.4 | (28.2)% |
| SG&A expense | 4.1 | 5.3 | (22.6)% | 7.8 | 10.6 | (26.4)% |
| Operating income | 8.3 | 13.0 | (36.2)% | 16.9 | 23.8 | (29.0)% |
| Net corporate expense | | | | | | |
| Gross profit | \$ 0.1 | \$ 0.1 | NM | \$ 0.2 | \$ 0.3 | NM |
| SG&A expense | 16.0 | 21.3 | (24.9)% | 29.3 | 41.0 | (28.5)% |
| Operating loss | (15.9) | (21.2) | 25.0% | (29.1) | (40.7) | 28.5% |

NM=Not meaningful

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Overview

On a consolidated basis, the decrease in net sales in the second quarter and first half of fiscal 2014, as compared with 2013, reflected lower sales in all reportable segments except for the Engineered Infrastructure Products (EIP) segment. The changes in net sales in the second quarter and first half of fiscal 2014, as compared with fiscal 2013, were as follows:

| | Second quarter | | | | | |
|--------------------------|-----------------------|------------|----------------|-----------------|-------------------|--------------|
| | Total | EIP | Utility | Coatings | Irrigation | Other |
| Sales 2013 | \$ 878.7 | \$ 228.5 | \$ 227.9 | \$ 79.4 | \$ 270.2 | \$ 72.7 |
| Volume | (44.1) | 11.0 | 2.0 | (8.3) | (46.5) | (2.3) |
| Pricing/mix | (20.6) | (0.6) | (17.8) | 1.6 | (0.9) | (2.9) |
| Acquisitions/Divestiture | 38.9 | 50.1 | | | | (11.2) |
| Currency translation | (10.3) | (2.8) | (0.1) | (2.3) | (2.9) | (2.2) |
| | | | | | | |
| Sales 2014 | \$ 842.6 | \$ 286.2 | \$ 212.0 | \$ 70.4 | \$ 219.9 | \$ 54.1 |

| | Year-to-date | | | | | |
|--------------------------|---------------------|------------|----------------|-----------------|-------------------|--------------|
| | Total | EIP | Utility | Coatings | Irrigation | Other |
| Sales 2013 | \$ 1,698.3 | \$ 422.7 | \$ 467.2 | \$ 154.3 | \$ 514.9 | \$ 139.2 |
| Volume | (109.5) | 9.3 | (25.6) | (10.3) | (75.8) | (7.1) |
| Pricing/mix | (16.9) | (0.1) | (13.9) | 0.3 | 0.6 | (3.8) |
| Acquisitions/Divestiture | 54.9 | 73.1 | | | | (18.2) |
| Currency translation | (32.5) | (9.9) | (1.5) | (6.7) | (7.1) | (7.3) |
| | | | | | | |
| Sales 2014 | \$ 1,594.3 | \$ 495.1 | \$ 426.2 | \$ 137.6 | \$ 432.6 | \$ 102.8 |

Volume effects are estimated based on a physical production or sales measure, products we sell are not uniform in nature, pricing and mix relate to a combination of changes in sales prices and the attributes of the product sold. Accordingly, pricing and mix changes do not necessarily directly result in operating income changes.

Acquisitions included Locker Group Holdings ("Locker"), Armorflex International Ltd. ("Armorflex"), and DS SM A/S, which was renamed Valmont SM. We acquired Locker in February 2013, Armorflex in December 2013, and Valmont SM in March 2014. All of these acquisitions are reported in the Engineered Infrastructure Products segment. In the "Other" category, the sales reduction of \$18.2 million in the first half of 2014 reflects the deconsolidation of Delta EMD Pty. Ltd. ("EMD") in December 2013, following the reduction of our ownership in the operation to below 50%.

In the second quarter and first half of fiscal 2014, we realized a decrease in operating profit, as compared with fiscal 2013, due to currency translation effects. On average, the U.S. dollar strengthened in particular against the Australian dollar, Brazilian Real and South Africa Rand, resulting in less operating profit in U.S. dollar terms. The breakdown of this effect by segment was as follows:

| | Total | EIP | Utility | Coatings | Irrigation | Other | Corporate |
|----------------|--------------|------------|----------------|-----------------|-------------------|--------------|------------------|
| Second quarter | \$ (1.7) | \$ (0.4) | \$ (0.6) | \$ (0.5) | \$ (0.3) | \$ (0.1) | \$ 0.1 |
| Year-to-date | \$ (3.8) | \$ (0.9) | \$ (0.4) | \$ (0.8) | \$ (1.3) | \$ (0.9) | \$ 0.5 |

The decrease in gross margin (gross profit as a percent of sales) in fiscal 2014, as compared with 2013, was due to a combination of lower sales prices and an unfavorable sales mix, reduced sales volumes and slightly higher raw material costs in 2014, as compared with 2013.

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Selling, general and administrative (SG&A) spending in the second quarter and first half of fiscal 2014, as compared with the same periods in 2013, decreased mainly due to the following factors:

decreased employee incentive accruals of \$9.7 million and \$15.3 million, respectively, due to lower operating results;

currency translation effects of \$0.7 million and \$3.4 million, respectively, due to the strengthening of the U.S. dollar primarily against the Australian dollar, Brazilian Real, and South Africa Rand;

lower expenses associated with the Delta Pension Plan of \$0.9 million and \$1.9 million, respectively; and

EMD was deconsolidated in December 2013, which resulted in reduced expenses of \$1.2 million and \$2.4 million, respectively.

The above reductions in SG&A were partially offset by the following:

the sale of one of our galvanizing facilities in Australia resulted in a gain of \$4.6 million in the second quarter of 2013, which was reported as a reduction of SG&A expense, and;

the acquisition of Valmont SM in March 2014 and Armorflex in December 2013 included combined expenses in the second quarter and first half of fiscal 2014 of \$4.4 million and \$5.9 million, respectively.

The decrease in operating income on a reportable segment basis in 2014, as compared to 2013, was due to reduced operating performance in the Utility, Irrigation, and Coatings segments. The EIP segment showed improved operating performance in 2014 compared to 2013, primarily due to the acquisition of Valmont SM. The "Other" category reported reduced operating performance in 2014 compared to 2013, mainly due to lower grinding media sales.

Net interest expense increased slightly in the second quarter of fiscal 2014, as compared with 2013, due to slightly higher interest expense and lower interest income due to less cash on hand due to the stock repurchase program and the Valmont SM acquisition. Net interest expense was consistent in the first half of 2014 and 2013.

The increase in other expense in the first half of 2014, as compared with 2013, was mainly attributable to recording the change (loss) in fair value of the Company's investment in EMD of \$3.5 million. The remaining increase is related to foreign exchange transaction losses due to currency volatility. The decrease in other expense in the second quarter of 2014, as compared with 2013, was due to a larger increase in deferred compensation assets of \$1.2 million and foreign exchange transaction gains due to currency volatility.

Our effective income tax rate in the second quarter of fiscal 2014 was comparable with the same period in fiscal 2013. The year-to-date effective tax rate in fiscal 2014 was higher than 2013, mainly due to approximately \$3.2 million of non-cash tax benefits associated with the first quarter 2013 sale of our nonconsolidated investment in South Africa and \$1.0 million of increased research and development tax credits in the U.S. The 2014 effective tax rate was also negatively affected by the unrealized loss in our investment in EMD being capital in nature and not resulting in an income tax benefit. After consideration of these factors, the effective tax rate for the first half of 2013 and 2014 were comparable at approximately 34%.

Earnings in non-consolidated subsidiaries were lower in fiscal 2014, as compared with 2013, with minimal activity in 2014. In 2013, the balance was minimal due to the sale of our 49% owned manganese materials operation in February 2013. There was no significant gain or loss on the sale.

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Our cash flows provided by operations were approximately \$91.9 million in the first half of fiscal 2014, as compared with \$175.6 million provided by operations in 2013. The decrease in operating cash flow in the first half of fiscal 2014 was the result of decreased net earnings and higher net working capital, as compared with 2013.

Engineered Infrastructure Products (EIP) segment

The increase in net sales in the second quarter and first half of fiscal 2014 as compared with 2013 was mainly due to the acquisition of Valmont SM in early March 2014 and Armorflex in December 2013 (\$50.1 million and \$73.1 million). Global lighting sales in the second quarter and first half of fiscal 2014 were slightly improved compared to the same period in fiscal 2013. In the second quarter and first half of fiscal 2014, sales volumes in the U.S. were slightly higher in both the transportation and lighting markets as construction and installation activity picked up after first quarter delays caused by harsh weather conditions as compared to 2013. The transportation market continues to be challenging, due in part to the lack of long-term U.S. federal highway funding legislation. Sales volumes in Canada were down in the second quarter and first half of 2014 as compared to 2013 due to the harsh weather conditions from the first quarter lingering into the second quarter.

Sales in Europe increased primarily due to the positive impact of currency translation. Increased volumes in the U.K. were offset by volume decreases in other regional areas. In the Asia Pacific region, sales improved in the second quarter and first half of fiscal 2014 over 2013 due in part to the India plant that is now fully operational and higher demand in the Philippines. Highway safety product sales improved in the second quarter and first half of 2014 compared to 2013, due to the acquisition of Armorflex in December 2013 (approximately \$2.8 million and \$4.1 million, respectively) and modestly improved market conditions in Australia and New Zealand due to more highway construction projects this year. This improvement is offset somewhat by negative currency translation effects of \$1.0 million and \$2.8 million, respectively.

Communication product line sales were up in the second quarter and first half of fiscal 2014, as compared with the same period in fiscal 2013. On a regional basis, North America sales in the second quarter and first half of fiscal 2014 increased over the same period in fiscal 2013. The increase in North American sales was mainly attributable to higher wireless communication structures sales due to the continued build out of wireless networks, offset by decreased communication component sales resulting from a large customer temporarily curtailing spending. In China, sales of wireless communication structures in the second quarter and first half of fiscal 2014 were higher than the same periods in fiscal 2013. Chinese wireless carriers are increasing investment in 4G upgrades, as the government began issuing licenses in late 2013.

Access systems product line sales decreased in the second quarter and first half of 2014, as compared with 2013, primarily due to the negative impact of currency translation of \$2.9 million and \$7.9 million and lower volumes. The volume decrease was primarily related to the slowdown in mining sector investment in Australia and was partially offset by the full 2014 effect of the Locker acquisition (approximately \$4.5 million) that was acquired in February 2013.

Operating income for the segment in the second quarter and first half of fiscal 2014 increased, as compared with the same period of fiscal 2013, due primarily to operating profit generated from the acquisitions of Valmont SM and Armorflex of \$5.7 million and \$7.7 million, respectively, offset somewhat by unfavorable currency translation effects of \$0.4 million and \$0.9 million, respectively.

The increase in SG&A spending in the second quarter and first half of 2014 were due to costs related to the Armorflex and Valmont SM acquisitions totaling \$4.4 million and \$5.9 million, respectively. These increased costs in the second quarter and first half of 2014 were offset by currency effects of \$0.3 million and \$1.5 million and lower incentive costs of \$0.9 million and \$1.6 million, respectively.

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Utility Support Structures (Utility) segment

In the Utility segment, the sales decrease in the second quarter of 2014 as compared with 2013, was due primarily to a decline in the percentage of sales from very large transmission projects which changed the mix of utility structure sales between the reporting periods. In North America, sales volumes in tons for steel utility structures were down in both the second quarter and first half of 2014, as compared with 2013, offset by increases in sales volume for concrete structures. We believe industry supply and demand are now more aligned as compared with this time in 2013, as we and our competitors have increased production capacity to meet demand. We believe this has resulted in increased price competition for certain portions of the market where orders are awarded based on competitive bidding. For the three-months ended June 30, 2014, as compared to the same period in 2013, international utility structures sales increased due to higher sales volumes. For the first half of 2014, as compared to 2013, international utility structures sales decreased due to lower sales volumes.

Operating income in the second quarter and first half of 2014, as compared with 2013, decreased due to lower sales volumes, reduced leverage of fixed costs, and increased depreciation expense on plant capacity added in 2013. SG&A expense decreased in the second quarter and first half of 2014, as compared with 2013, due to lower incentive compensation tied to lower operating income. This SG&A decrease was partially offset by higher employee compensation due to increased headcount to support increased business levels in the second half of 2013 and capacity expansion to meet projected long-term growth.

Coatings segment

Coatings segment sales decreased in the second quarter and first half of 2014, as compared with 2013, due to:

lower sales volumes in the Asia Pacific region and currency translation effects related to the strengthening of the U.S. dollar against the Australian dollar. More specifically, weak demand in Australia led to decreases in volumes offset somewhat by improved sales volumes in Asia; and

lower sales volumes in North America for galvanizing services, attributable to unfavorable winter weather conditions that affected our customers into early second quarter.

The decrease in segment operating income in the second quarter and first half of 2014, as compared with 2013, was mainly due to the \$4.6 million gain recognized on the sale of an Australian galvanizing operation in the second quarter of fiscal 2013. Operating income was also lower in the second quarter and first half of 2014, as compared with 2013, due to the lower sales volumes in both Australia and North America.

Irrigation segment

The decrease in Irrigation segment net sales in the second quarter and first half of fiscal 2014, as compared with 2013, was mainly due to sales volume decreases in the North American market. The decrease in North America was offset to an extent by increased sales volumes in international markets. In North America, lower expected net farm income in 2014, as compared with 2013, and much lower sales backlogs at the beginning of the year resulted in lower sales of irrigation equipment in 2014, as compared with 2013. In fiscal 2014, net farm income in the United States is expected to decrease 22% from the record levels of 2013, due in part to lower market prices for corn and soybeans. We believe this reduction contributed to lower demand for irrigation machines in North America in 2014, as compared with 2013.

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In international markets, sales improved in the second quarter and first half of fiscal 2014, as compared with 2013, mainly due to increased activity in Brazil, Middle East, and Australia. On balance, sales in other international regions (excluding China) in the second quarter and first half of fiscal 2014 were slightly higher or comparable to the same periods of a strong fiscal 2013.

Operating income for the segment declined in the second quarter and first half of fiscal 2014 over 2013, due to the sales volume decrease and associated operating deleverage of fixed operating costs. The primary reasons for the slight decrease in SG&A expense in the second quarter and first half of fiscal 2014, as compared with 2013, related to reduced employee incentives of \$1.9 million and \$2.5 million, respectively, offset partially by increased product development spending. Additionally, SG&A expense decreased in the second quarter and first half of fiscal 2014, as compared to 2013, due to lower bad debt provisions for international receivables of \$1.3 million and \$1.4 million, respectively, and exchange rate translation effects.

Other

This unit includes the grinding media, industrial tubing, and industrial fasteners operations. The decrease in sales in the second quarter and first half of fiscal 2014, as compared with 2013, was mainly due lower sales volumes due primarily to the deconsolidation of EMD in December 2013 (approximately \$11.2 million and \$18.2 million, respectively), lower sales volumes in the grinding media operations and exchange rate translation effects. Grinding media volumes were negatively affected by less favorable Australian mining industry demand. Tubing sales in 2014 were slightly lower due to lower volumes and sales mix compared to 2013. Operating income in the second quarter and first half of fiscal 2014 was lower than the same period in 2013, due to lower grinding media sales volumes and currency translation effects.

Net corporate expense

Net corporate expense in the second quarter and first half of fiscal 2014 decreased over the same period in fiscal 2013. These decreases were mainly due to:

lower employee incentives associated with reduced net earnings (\$4.7 million and \$7.6 million, respectively);

lower compensation and employee benefit costs (\$0.6 million and \$2.4 million, respectively);

decreased expenses associated with the Delta Pension Plan (\$0.9 million and \$1.9 million, respectively); and

partial offset by increased deferred compensation plan expense (\$1.2 million and \$0, respectively). The deferred compensation expense recorded within corporate expense has a corresponding offset by the same amount in other income (expense).

Liquidity and Capital Resources

Cash Flows

Working Capital and Operating Cash Flows Net working capital was \$1,096.3 million at June 28, 2014, as compared with \$1,161.3 million at December 28, 2013. The decrease in net working capital in 2014 mainly resulted from decreased cash on hand due to the acquisition of Valmont SM and cash used in the share repurchase program. Cash flow provided by operations was \$91.9 million in fiscal 2014, as compared with \$175.6 million in fiscal 2013. The decrease in operating cash flow in 2014 was the result of lower net earnings and higher working capital in 2014, as compared with 2013.

Investing Cash Flows Capital spending in the first half of fiscal 2014 was \$47.0 million, as compared with \$54.3 million for the same period in 2013. The most significant capital spending projects

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in 2014 included certain investments in machinery and equipment across all businesses. We expect our capital spending for the 2014 fiscal year to be approximately \$100 million. In 2013, investing cash flows included proceeds from asset sales of \$39.1 million, principally consisting of \$29.2 million received from the sale of our 49% owned non-consolidated subsidiary in South Africa and \$8.2 million received from the sale of the Western Australia galvanizing operation. Investing cash flows also includes \$120.5 million paid for the Valmont SM acquisition in the first quarter of 2014 and \$53.2 million paid for the Locker acquisition in 2013.

Financing Cash Flows Our total interest-bearing debt increased slightly to \$496.2 million at June 28, 2014 from \$490.1 million at December 28, 2013. Financing cash flows changed from a use of approximately \$10.6 million in the first half of fiscal 2013 to a use of approximately \$90.4 million in the first half of fiscal 2014. The main reason for the increase related to the purchase of treasury shares in the second quarter of 2014 resulting from the recently announced share repurchase program.

Financing and Capital

On May 13, 2014, we announced a new capital allocation philosophy which covered both the quarterly dividend rate as well as a share repurchase program. Specifically, the Board of Directors authorized the purchase of up to \$500 million of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. The purchases will be funded from available working capital and short-term borrowings and will be made subject to market and economic conditions. We are not obligated to make any repurchases and may discontinue the program at any time. As of June 28, 2014, we have acquired 490,172 shares for approximately \$77.1 million under this share repurchase program. As of July 22, 2014, the date as of which we report on the cover of this Form 10-Q the number of outstanding shares of our common stock, we have acquired a total of 1,039,092 shares for \$159.5 million under the share repurchase program. This philosophy also authorizes dividends on common shares in the range of 15% of the prior year's fully diluted net earnings; the most recent quarterly dividend was \$0.375 per share paid on July 15, 2014.

We have historically funded our growth, capital spending and acquisitions through a combination of operating cash flows and debt financing. We have an internal long-term objective to maintain long-term debt as a percent of invested capital at or below 40%. At June 28, 2014, our long-term debt to invested capital ratio was 21.7%, as compared with 22.3% at December 28, 2013. Subject to our level of acquisition activity and steel industry operating conditions (which could affect the levels of inventory we need to fulfill customer commitments), we plan to maintain this ratio below 40% in 2014.

Our debt financing at June 28, 2014 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$115.1 million, \$98.5 million of which was unused at June 28, 2014. Our long-term debt principally consists of:

\$450 million face value (\$460 million carrying value) of senior unsecured notes that bear interest at 6.625% per annum and are due in April 2020. We are allowed to repurchase the notes at specified prepayment premiums. These notes are guaranteed by certain of our subsidiaries.

\$400 million revolving credit agreement with a group of banks. We may increase the credit facility by up to an additional \$200 million at any time, subject to participating banks increasing the amount of their lending commitments. The interest rate on our borrowings will be, at our option, either:

- (a) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by us) plus 125 to 225 basis points (inclusive of facility fees), depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA), or;

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(b)
the higher of

The higher of (a) the prime lending rate and (b) the Federal Funds rate plus 50 basis points plus in each case, 25 to 100 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA, or

LIBOR (based on a 1 week interest period) plus 125 to 225 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA.

At June 28, 2014 and December 28, 2013, we had no outstanding borrowings under the revolving credit agreement. The revolving credit agreement has a termination date of August 15, 2017, and contains certain financial covenants that may limit our additional borrowing capability under the agreement. At June 28, 2014, we had the ability to borrow \$382.3 million under this facility, after consideration of standby letters of credit of \$17.7 million associated with certain insurance obligations and international sales commitments.

Our senior unsecured notes and revolving credit agreement each contain cross-default provisions which permit the acceleration of our indebtedness to them if we default on other indebtedness that results in, or permits, the acceleration of such other indebtedness.

The debt agreements contain covenants that require us to maintain certain coverage ratios and may limit us with respect to certain business activities, including capital expenditures. Our key debt covenants are as follows:

Interest-bearing debt is not to exceed 3.5X EBITDA of the prior four quarters; and

EBITDA over the prior four quarters must be at least 2.5X our interest expense over the same period.

At June 28, 2014, we were in compliance with all covenants related to the debt agreements. The key covenant calculations at June 28, 2014 were as follows:

| | | |
|-------------------------------------|----|---------|
| Interest-bearing debt | \$ | 496,171 |
| EBITDA last four quarters | | 505,269 |
| Leverage ratio | | 0.98 |
| EBITDA last four quarters | \$ | 505,269 |
| Interest expense last four quarters | | 32,788 |
| Interest earned ratio | | 15.41 |

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The calculation of EBITDA last four quarters (June 29, 2013 through June 28, 2014) is as follows:

| | |
|--|------------|
| Net cash flows from operations | \$ 312,701 |
| Interest expense | 32,788 |
| Income tax expense | 139,724 |
| Deconsolidation of subsidiary | (12,011) |
| Impairment of property, plant and equipment | (12,161) |
| Loss on investment | (3,501) |
| Deferred income tax benefit | 383 |
| Noncontrolling interest | (2,107) |
| Equity in earnings of nonconsolidated subsidiaries | 332 |
| Stock-based compensation | (6,857) |
| Pension plan expense | (4,658) |
| Contribution to pension plan | 24,757 |
| Valmont SM EBITDA June 30, 2013 March 3, 2014 | 18,826 |
| Changes in assets and liabilities | 17,704 |
| Other | (651) |

EBITDA \$ 505,269

| | |
|---|------------|
| Net earnings attributable to Valmont Industries, Inc. | \$ 231,313 |
| Interest expense | 32,788 |
| Income tax expense | 139,724 |
| Depreciation and amortization expense | 82,618 |
| Valmont SM EBITDA June 30, 2013 March 3, 2014 | 18,826 |

EBITDA \$ 505,269

Our businesses are cyclical, but we have diversity in our markets, from a product, customer and a geographical standpoint. We have demonstrated the ability to effectively manage through business cycles and maintain liquidity. We have consistently generated operating cash flows in excess of our capital expenditures. Based on our available credit facilities, recent issuance of senior unsecured notes and our history of positive operational cash flows, we believe that we have adequate liquidity to meet our needs.

We have not made any provision for U.S. income taxes in our financial statements on approximately \$675.5 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Of our cash balances at June 28, 2014, approximately \$387.2 million is held in entities outside the United States with approximately \$100.7 million specifically held within consolidated Delta Ltd., a wholly-owned subsidiary of the Company. Delta Ltd. sponsors a defined benefit pension plan and therefore, the Company is allowed to dividend out Delta Ltd.'s available cash only as long as that dividend does not negatively impact Delta Ltd.'s ability to meet its annual contribution requirements of the pension plan. We believe that the cash payments Delta Ltd. receives from its intercompany notes will provide sufficient funds to meet the pension funding requirements but additional analysis on pension funding requirements would have to be performed prior to the repatriation of the \$100.7 million of Delta Ltd.'s cash balances.

If we need to repatriate foreign cash balances to the United States to meet our cash needs, income taxes would be paid to the extent that those cash repatriations were undistributed earnings of our foreign subsidiaries. The income taxes that we would pay if cash were repatriated depends on the amounts to be repatriated and from which country. If all of our cash outside the United States were to

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be repatriated to the United States, we estimate that we would pay approximately \$52.7 million in income taxes to repatriate that cash.

Financial Obligations and Financial Commitments

There have been no material changes to our financial obligations and financial commitments as described on page 38 in our Form 10-K for the fiscal year ended December 28, 2013.

Off Balance Sheet Arrangements

There have been no changes in our off balance sheet arrangements as described on page 38 in our Form 10-K for the fiscal year ended December 28, 2013.

Critical Accounting Policies

There have been no changes in our critical accounting policies as described on pages 39-43 in our Form 10-K for the fiscal year ended December 28, 2013 during the quarter ended June 28, 2014.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in the company's market risk during the quarter ended June 28, 2014. For additional information, refer to the section "Risk Management" in our Form 10-K for the fiscal year ended December 28, 2013.

Item 4. Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934 is (1) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

No changes in the Company's internal control over financial reporting occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price paid per share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Maximum Number of Shares that may yet be Purchased under the Program(1) |
|----------------------------------|---|-------------------------------------|---|--|
| March 30, 2014 to April 26, 2014 | | | | |
| April 27, 2014 to May 31, 2014 | 319,300 | 158.11 | 319,300 | 449,515,000 |
| June 1, 2014 to June 28, 2014 | 170,872 | 155.67 | 170,872 | 422,915,000 |
| Total | 490,172 | \$ 157.26 | 490,172 | 422,915,000 |

(1)

On May 13, 2014, we announced a new capital allocation philosophy which covered both the quarterly dividend rate as well as a share repurchase program. Specifically, the Board of Directors authorized the purchase of up to \$500 million of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. As of June 28, 2014, we have acquired 490,172 shares for approximately \$77.1 million under this share repurchase program.

Item 6. Exhibits

(a)

Exhibits

| Exhibit No. | Description |
|--------------------|---|
| 31.1 | Section 302 Certificate of Chief Executive Officer |
| 31.2 | Section 302 Certificate of Chief Financial Officer |
| 32.1 | Section 906 Certifications of Chief Executive Officer and Chief Financial Officer |
| 101 | The following financial information from Valmont's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Shareholders' Equity, (vi) Notes to Condensed Consolidated Financial Statements and (vii) document and entity information. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf and by the undersigned hereunto duly authorized.

VALMONT INDUSTRIES, INC.
(Registrant)

/s/ MARK C. JAKSICH

Mark C. Jaksich
Executive Vice President and Chief Financial Officer

Dated this 29th day of July, 2014.

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Index of Exhibits

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